# INTEGRATED SAFEGUARDS DATA SHEET
## APPRAISAL STAGE

Report No.:

**Date ISDS Prepared/Updated:** 20-Sep-2013

## I. BASIC INFORMATION

### 1. Basic Project Data

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| **Country:** | Philippines | **Project ID:** | P147646 |
| **Project Name:** | Philippines Renewable Energy Development (P147646) | | |
| **Task Team Leader:** | Alan F. Townsend | | |
| **Estimated Board Date:** | 14-Nov-2013 | | |
| **Managing Unit:** | EASPS | | |
| **Sector(s):** | Other Renewable Energy (60%), Transmission and Distribution (40%) | | |
| **Theme(s):** | Climate change (60%), Infrastructure services for private sector development (30%), Regulation and competition policy (10%) | | |
| **Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)?** | No | | |

| **Project Financing Data (in USD Million)** | | | |
|---|---|---|---|
| Total Project Cost: | 500.00 | Total Bank Financing: | 0.00 |
| Total Cofinancing: | 44.0 | Financing Gap: | 0.00 |

| **Financing Source** | **Amount** |
|---|---|
| Borrower (Private Sector) | 500.00 |
| International Bank for Reconstruction and Development | 0.00 |
| IBRD Guarantee | 0.00 |
| Clean Technology Fund (Guarantee) | 44.00 |
| Total | 500.00 |

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| **Environmental Category:** | F - Financial Intermediary Assessment |
| **Is this a Repeater project?** | No |
| **Is this a Transferred project?** | No |

### 2. Project Development Objective(s)

The higher order objective of the proposed project is to assist the Philippines in meeting the demand for electricity and to increase access to electricity in a sustainable manner. The Project Development

Objective is to increase renewable energy generation in all parts of the Philippines, including in off-grid areas, and to bolster private sector lending to electric cooperatives that are focused on operational and financial efficiency. It is expected that thereby ECs will be able to provide service to more customers and with better quality, while at the same time becoming more creditworthy and therefore better able to develop and/or purchase bulk renewable energy.

**3. Project Description**

The proposed Philippines Renewable Energy Development (PHRED) project will be implemented as a stand-alone guarantee operation with two windows backed by $44-million of CTF resources. PHRED will provide capital, in the form of callable cash, to a successful, Government initiative, the Electric Cooperative Partial Credit Guarantee (EC-PCG) program. EC-PCG was originally supported by a Global Environment Facility (GEF) grant that included $10-million for capitalization of the fund; the GEF grant was implemented with assistance from the World Bank. These resources were put in an escrow account, and with interest and program revenues, have grown to about $16-million. EC-PCG provides partial credit guarantees to commercial banks in the Philippines that make term loans to electric cooperatives. Up to 80% of regular principal and interest payments are guaranteed through maturity. EC-PCG, by end 2013, will be directly covering $70-million in lending, and leveraging an additional $30-million in uncovered debt and equity, to 30 of the Philippines 119 electric cooperatives. There have been no defaults.

EC's provide electricity service in most rural areas and many secondary cities in the Philippines, including over half of the residential electricity customers in the country. EC service territories include most of the remaining un-electrified households nationwide. PHRED will increase the capital of EC-PCG from $16-million to $60-million; the $44-million will provided in the form of a $44-million guarantee, financed by the Clean Technology Fund (CTF), to LGUGC, acting on behalf of the Department of Energy as the program manager of EC-PCG. This capital can be leveraged many times, with up to $500-million in new investment (covered debt, uncovered debt, and equity) expected in the five year period 2014-2018. The program will expand financing for EC network investments and, for the first time, extend financing to renewable energy. 70 megawatts of clean energy projects, located within the franchise territories of the EC's, would be developed; 400,000 new connections will be supported by investments in renewables and rural distribution networks. CTF does not require indemnification against losses for guarantees. CTF's risk is mitigated by placing it in a second-loss position, in the event of calls on EC-PCG. Under this approach, EC-PCG cash, held in escrow accounts in Manila, will cover first losses of the program. Only when that cash is fully exhausted can the CTF guarantee be drawn.

**4. Project location and salient physical characteristics relevant to the safeguard analysis (if known)**

The project will support the development of renewable energy facilities and equipment and related support services in the entire Philippines; it will also finance the expansion and rehabilitation of the distribution networks of the electricity cooperatives. The EC's will be involved in any renewable energy sub-projects, either as buyers of the power and/or as equity investors.

**5. Environmental and Social Safeguards Specialists on the Team**

Maya Gabriela Q. Villaluz ( EASPS )

Victoria Florian S. Lazaro ( EASPS )

| 6. Safeguard Policies | Triggered? | Explanation (Optional) |
|---|---|---|
| Environmental Assessment OP/BP 4.01 | **Yes** | The project has an environmental category of Financial Intermediary (FI). It will support the development of renewable energy sources the bulk of which will be on mini-hydropower. Depending on the scale and location, the subprojects will fall under the World Bank's Environmental Assessment Categories A, B or C and under the Philippine EIS System Project Categories II and III.<br><br>The potential adverse direct impacts of the subprojects particularly mini-hydro are related to: (i) civil works impacts on water and air quality, noise, occupational health and safety, etc.); (ii) disruption of environmental flow and habitat alterations in the case of mini hydropower projects, (iii) change in land use and disturbance in natural habitats; (iv) possible conflict in water use for hydro power subprojects; and (v) induced impacts on forests and natural habitats where hydropower subprojects and associated facilities are close to forests and natural habitats.<br><br>The project has prepared an Environmental and Social Safeguards Framework (ESSF) to screen environmental and social impacts of the subprojects, assign environment category of the subproject and determine the specific environment and social safeguard instruments to address impacts of the subprojects. The ESSF presents screening and scoping checklists and describes detailed plans for mitigation, monitoring and reporting of all identified impacts. It also lays out institutional responsibilities of the Borrower and sub-project proponent s as well as the relevant policy and legal framework, financing, monitoring and reporting. The EMPs and ECOPs will be included in the bidding documents and the technical specifications in the design and construction contract of the subprojects, the details of which will be incorporated in the PHRED Project Operations Manual. The ESSF also contains a Grievance Redress Mechanism. |

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| | | LGUGC, assisted by NEA, will conduct the screening of the individual subprojects to determine potential environment and social impacts, assign the appropriate environmental category and advise on the appropriate EA instrument to be prepared commensurate to the projected environment and social impacts. LGUGC will also lead the review and clearance process for safeguards compliance to the ESSF, but arrangements will be made and agreed with LGUGC for the Bank to be involved in prior review and clearance of all Category A subprojects and the initial sets of Category B subprojects.<br><br>LGUGC, NEA and other agencies involved in the project will undergo capacity building activities such as Regular project trainings on safeguards requirements and the ESSF to include the screening, scoping, and review of the EA instruments and safeguards compliance monitoring and reporting. LGUGC will organize regular trainings for project clients and participating agencies to include lessons learned and previous implementation experiences. |
| Natural Habitats OP/BP 4.04 | **Yes** | The project will not fund any subproject proposed to be located in critical natural habitat or will cause to convert or degrade such. This policy is triggered because by the nature of the proposed subprojects, it is possible that some would affect natural habitats, as defined in the policy. All subproject proposals will be screened for potential impacts on non-critical natural habitats and necessary mitigation measures will be prepared as part of the subproject specific EA and EMP. Adequate natural habitats conservation/protection measures will be spelled out in the EMP and the ECOPs. For mini hydropower projects, the EMP will include monitoring of potential changes in flow regulation that may be brought about by water retention structures that may have consequent downstream impacts. |
| Forests OP/BP 4.36 | **Yes** | The policy is triggered when sub-projects |

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| | | involve the generation of impacts on forest, forest health and forest-dependent communities. The ESSF has provisions for screening and managing subproject impacts on forest, forest health and forest-dependent communities. |
| Pest Management OP 4.09 | **Yes** | The project may support biomass sub-projects for power generation. Plantations for biomass production may involve use of pesticides for plantation pest management. The ESSF provides guidance on the preparation of a Pest Management Plan should biomass subproject triggers the policy. The project is not expected to use pesticides in distribution line maintenance since manual labor maintenance is practiced in the Philippines. |
| Physical Cultural Resources OP/BP 4.11 | **Yes** | The project will involve civil works for the construction of RE sources and distribution lines. Although unlikely, the subprojects may affect PCRs during civil works. The ESSF has provisions for chance find procedures in case PCRs will be discovered during construction. |
| Indigenous Peoples OP/BP 4.10 | **Yes** | It is estimated that 17% of the Philippine population belongs to one of the 110 indigenous tribes of the country. Most of the acknowledged ancestral domains are in the upland areas of the country which are where renewable energy subprojects particularly mini hydropower, are constructed. There is probability that IPs living within or outside their ancestral domain may be presentin subprojects guaranteed by the PHRED. An IP Policy Framework (IPPF) annexed to the ESSF has been developed during preparation and disclosed to ensure that negative impacts on IPs are mitigated and sharing of benefits to affected IP communities are enhanced. |
| Involuntary Resettlement OP/BP 4.12 | **Yes** | Construction of new energy facilities such as substations may require temporary and permanent acquisition of commercial, residential and agriculture lands. Scales of impacts are quite limited and can be minimized due to the flexibility in site selection. Rehabilitation of existing structures may require small land acquisition for some expansion. This may have |

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| | | unavoidable impacts to persons by way of losses in assets or access to livelihood sources. Construction of mini-hydro power plants may trigger the policy because it may inundate agricultural lands and also affect livelihood of people dependent on the river. At smaller magnitude, the expansion of distribution lines may also trigger this policy as there are occasions when these are laid across private lands. A Land Acquisition and Resettlement and Rehabilitation Policy Framework as an integral part of the ESSF was developed and disclosed. In the event that displaced persons of a subproject are mostly indigenous peoples then the IP Plan may be integrated with the Resettlement Action Plan. An independent Panel of Experts will be established to oversee the implementation of the resettlement studies and provide guidance, where needed. The Panel will include expertise in social, resettlement, and technical issues. |
| Safety of Dams OP/BP 4.37 | **Yes** | This policy is triggered as it is expected that subprojects will involve the construction of dams. The ESSF has provisions for Dam Safety requirements, including ensuring that dams are designed and constructed by experienced and competent professionals. The Bank requires to adoption and implementation of dam safety measures for the design, bid tendering, construction, operation, and maintenance of the dams and its associated works. For dams considered to pose significant risk, regardless of height, the ESSF specifies the process, such as general operational technical guidance to be followed for screening the hazardous nature of the dams and determination of the dam safety instruments required under the Policy. |
| Projects on International Waterways OP/BP 7.50 | **No** | There will be no subprojects in international waterways. |
| Projects in Disputed Areas OP/BP 7.60 | **No** | There will be no subprojects in disputed areas. |

## II. Key Safeguard Policy Issues and Their Management

### *A. Summary of Key Safeguard Issues*

| **1. Describe any safeguard issues and impacts associated with the Restructured project. Identify** |
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**and describe any potential large scale, significant and/or irreversible impacts:**

The potential impacts are those typically associated with the construction and operation of mini hydropower plants, installation or upgrading of power distribution lines and construction of substations. Positive environmental and social impacts will result from increased power supply from renewable energy, improved efficiency of power distribution, improved reliability of power supply, and increased access to electricity through intensification in and expansion of service areas. However there are also negative impacts associated with the project. On the social side , there will be minor land acquisitions which may also affect crops and trees in areas where mini hydropower plants, distribution lines and related rights of way for these infrastructure will be constructed. Since mini hydro power plant are generally built in upland areas this may also affect indigenous peoples and their ancestral domains which are mostly found in upland areas also.

It is expected that the adverse direct impacts of the sub-projects will be related to: (i) civil works impacts on water and air quality, noise, occupational health and safety, etc.); (ii) disruption of environmental flow and habitat alterations in the case of mini hydropower projects, (iii) change in land use and disturbance in natural habitats; (iv) possible conflict in water use for hydro power subprojects; and (v) induced impacts on forests and natural habitats where hydropower subprojects and associated facilities are close to forests and natural habitats.

**2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:**

Overall the project will benefit the environment and social development of the country and particular specific service areas of guaranteed projects with the promotion of renewable energy sources to meet the long-term, clean energy requirements. The long term impact of the project is the provision of electricity in a sustainable manner shifting power generation to renewable sources particularly in off grid areas supporting the country social inclusion objectives. Any indirect or long term negative environmental and social impact is expected to be minor in the project area since each sub-project will conform with the PHRED Environment and Social Safeguards Framework (ESSF) and implement and monitor the implementation of the project activities in accordance with subproject specific Environmental Management Plan and Environmental Code of Practice.

**3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.**

The use of renewable energy sources is the best means of producing clean, sustainable energy for the masses. Introducing wholesale financing into the market that could potentially crowd out private commercial finance, was considered as a component of the project but the success of EC-PCG in leveraging private lending for the EC sector suggests that renewable energy as well could be more effectively supported with guarantees rather than IBRD or CTF lending. At the subproject level, the conduct of the environmental and social assessment will be used by the proponent to select from different alternatives for the most sustainable project to finance using the best available technology and most environmentally sound location.

**4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.**

The PHRED Environment and Social Safeguards Framework (ESSF) was developed by the borrower to establish the objectives and procedures and implementation arrangements for identifying, managing and monitoring potential environment and social impacts of project activities. This contains a separate IP Policy Framework and a Land Acquisition, Resettlement and Rehabilitation Policy Framework in its Annexes. Early stages of project development when safeguards screening, scoping and planning for

appropriate mitigations for adverse findings happen will be done with technical guidance from the Renewable Energy department of NEA. This complements the EMP and the Environmental Code of Practice that the contractors should follow. At a later stage when financing arrangements are prepared, LGUGC becomes highly involved and they will confirm project's Environmental and Social Safeguard Framework (ESSF) as they evaluate each subproject for guarantee. The procedures outlined in the framework to indicate how their potential clients will carry out the assessment of environmental and social safeguard issues and the process by which the documents prepared would be reviewed by LGUGC and the World Bank to ensure that Bank policies are being followed. Appropriate environmental and social assessment and mitigating measures are incorporated in the planning and design of each investment, as an outcome of each sub-project that will be undergoing the ESSF process. The review of LGUGC, assisted by NEA, on the safeguard instruments begins with the screening and scoping to determine its environmental category and assessment of the scope and coverage of significant impacts and the type of safeguard instruments, capacity assessment and implementation arrangements needed for each sub-project.

It is the responsibility of the sub-project proponent to prepare and carry out the necessary safeguards instruments required by the ESSF, and to obtain the environmental clearances for each sub-project before starting the construction. The sub-project proponents are responsible for the quality and accuracy of the information in the EA document, as well as the transmission of the EA documents to DENR.

LGUGC will be supported by Project Monitoring Boards (a separate PMB for each sub-project, comprised of borrower, lender, LGUGC, and NEA, with DOE and the World Bank have observer status at their discretion) to ensure the success of the EC-PCG program. PMB's, which include program management staff of LGUGC, also monitor safeguards compliance.

The ESSF describes the institutional and implementation arrangements and capacity building activities that LGUGC and NEA will undertake to ensure that the screening and scoping of the subproject proposals and the monitoring of the safeguards measures during project implementation are addressed. LGUGC has regular staff that manages small to large accounts of renewable energy technical proponents who are also well-experienced in the screening and review of project proposals from electric cooperatives and independent power providers. It, however, lacks environment and social safeguards staff to carry out safeguards screening for subprojects. It outsources the safeguard screening and review process to consultants. They have the demonstrated ability to review and evaluate project proposals from technical and financial prespective. However, since they have been involved in the first phase of the EC-PCG program which also required compliance to the country's safeguards policies basic knowledge of safeguards is present. NEA has the technical expertise in screening and managing the performance of energy cooperatives (ECs) and other companies who are in joint venture with the independent power providers. LGUGC and NEA will be asked to participate in specific trainings and workshops as well as participate in the WB safeguards forum and other capacity building activities. Also, LGUGC will organize regular workshops and symposia with its potential clients – ECs, financial institutions, renewable energy developers and independent power providers, to regularly update them as part of their marketing strategy, on the EC-PC process requirements, including the safeguards requirements described in the ESSF. On the job support, including learn-by-doing activities, will be provided by the task team to help NEA, LGUGC and subproject proponents especially in the first year of operations.

**5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.**

The key stakeholders of the projects are the electric cooperatives, participating private banks,

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| Department of Energy (DOE), LGUGC, NEA, and consumers of the electricity that will be generated/distributed which would also include project affected persons. Public consultations with representatives from identified key stakeholders was conducted and several meetings with potential proponents of sub-projects and the oversight agencies to discuss the details of the project including the safeguards requirements. In addition several workshops and joint site visits were also done by the task team of the WB and staff of LGUGC, NEA and DOE to hold discussions with both the EC Officers and local citizens. For the future sites, the public consultation process outlined in the ESSF will be followed. The dates below refer to the disclosure of the ESSF. |

***B. Disclosure Requirements***

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| **Environmental Assessment/Audit/Management Plan/Other** | |
| Date of receipt by the Bank | 04-Jun-2013 |
| Date of submission to InfoShop | 10-Jun-2013 |
| For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors | |
| "In country" Disclosure | |
| Philippines | 05-Jun-2013 |
| *Comments:* | |
| **Resettlement Action Plan/Framework/Policy Process** | |
| Date of receipt by the Bank | 04-Jun-2013 |
| Date of submission to InfoShop | 10-Jun-2013 |
| "In country" Disclosure | |
| Philippines | 05-Jun-2013 |
| *Comments:* | |
| **Indigenous Peoples Development Plan/Framework** | |
| Date of receipt by the Bank | 04-Jun-2013 |
| Date of submission to InfoShop | 10-Jun-2013 |
| "In country" Disclosure | |
| Philippines | 05-Jun-2013 |
| *Comments:* | |
| **Pest Management Plan** | |
| Was the document disclosed prior to appraisal? | NA |
| Date of receipt by the Bank | NA |
| Date of submission to InfoShop | NA |
| "In country" Disclosure | |
| Philippines | |
| *Comments:* | |
| **If the project triggers the Pest Management and/or Physical Cultural Resources policies, the** | |

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| **respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.** |
| **If in-country disclosure of any of the above documents is not expected, please explain why:** |
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*C. Compliance Monitoring Indicators at the Corporate Level*

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| **OP/BP/GP 4.01 - Environment Assessment** | |
| Does the project require a stand-alone EA (including EMP) report? | Yes [ X] No [ ] NA [ ] |
| **OP/BP 4.04 - Natural Habitats** | |
| Would the project result in any significant conversion or degradation of critical natural habitats? | Yes [ ] No [ X ] NA [ ] |
| If the project would result in significant conversion or degradation of other (non-critical) natural habitats, does the project include mitigation measures acceptable to the Bank? | Yes [ ] No [ ] NA [ X ] |
| **OP 4.09 - Pest Management** | |
| Does the EA adequately address the pest management issues? | Yes [ X ] No [ ] NA [ ] |
| Is a separate PMP required? | Yes [ ] No [ X ] NA [ ] |
| If yes, has the PMP been reviewed and approved by a safeguards specialist or SM? Are PMP requirements included in project design? If yes, does the project team include a Pest Management Specialist? | Yes [ ] No [ ] NA [ ] |
| **OP/BP 4.11 - Physical Cultural Resources** | |
| Does the EA include adequate measures related to cultural property? | Yes [ X ] No [ ] NA [ ] |
| Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property? | Yes [ X ] No [ ] NA [ ] |
| **OP/BP 4.10 - Indigenous Peoples** | |
| Has a separate Indigenous Peoples Plan/Planning Framework (as appropriate) been prepared in consultation with affected Indigenous Peoples? | Yes [ X ] No [ ] NA [ ] |
| If yes, then did the Regional unit responsible for safeguards or Sector Manager review the plan? | Yes [ X ] No [ ] NA [ ] |
| If the whole project is designed to benefit IP, has the design been reviewed and approved by the Regional Social Development Unit or Sector Manager? | Yes [ ] No [ ] NA [ ] |
| **OP/BP 4.12 - Involuntary Resettlement** | |
| Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared? | Yes [ X ] No [ ] NA [ ] |
| If yes, then did the Regional unit responsible for safeguards or Sector Manager review the plan? | Yes [ X ] No [ ] NA [ ] |
| **OP/BP 4.37 - Safety of Dams** | |

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| Have dam safety plans been prepared? | Yes [ ] No [ X ] NA [ ] |
| Have the TORs as well as composition for the independent Panel of Experts (POE) been reviewed and approved by the Bank? | Yes [ ] No [ X ] NA [ ] |
| Has an Emergency Preparedness Plan (EPP) been prepared and arrangements been made for public awareness and training? | Yes [ ] No [ ] NA [ X ] |
| **The World Bank Policy on Disclosure of Information** | |
| Have relevant safeguard policies documents been sent to the World Bank's Infoshop? | Yes [ X ] No [ ] NA [ ] |
| Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs? | Yes [ X ] No [ ] NA [ ] |
| **All Safeguard Policies** | |
| Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies? | Yes [ X ] No [ ] NA [ ] |
| Have costs related to safeguard policy measures been included in the project cost? | Yes [ X ] No [ ] NA [ ] |
| Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies? | Yes [ X ] No [ ] NA [ ] |
| Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents? | Yes [ X ] No [ ] NA [ ] |

## III. APPROVALS

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| Task Team Leader: | Name: Alan F. Townsend | |
| *Approved By:* | | |
| Regional Safeguards Advisor: | Name: Peter Leonard | Date: 9/23/13 |
| Sector Manager: | Name: Charles Feinstein | Date: 9/20/13 |